



NEWS RELEASE

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PLEASE NOTE DATE

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IMMEDIATE RELEASE

April 1, 1994

SECRETARY SEEKS HELP FOR SERVICEMEMBERS FROM TAX BURDEN

Secretary of Defense William Perry has sent a letter to Congress requesting legislative relief from an additional tax burden affecting servicemembers. In the letter, Secretary Perry states, "An unintended consequence of the Revenue Reconciliation Act of 1993 changed the tax rules on moving expenses and reimbursement and allowances which will severely and disproportionately affect members of the Uniformed Services. The people most affected are the people who can least afford the impact, the junior soldiers, sailors, marines and airmen assigned overseas in defense of our nation."

More than 800,000 servicemembers and their families move every year. Approximately 200,000 of those moves are to and from overseas locations. Almost 90 percent of the overseas moves are enlisted servicemembers. Allowances for these moves are designed to meet actual expenses incurred for permanent changes of station moves. The temporary expenses while awaiting permanent housing may be particularly high in overseas areas. Making these allowances taxable, and withholding taxes, leaves the servicemember insufficient funds to defray the temporary, extraordinary expenses. A servicemember and his family awaiting housing in Naples might receive up to \$11,000 in temporary lodging allowance. This would result in more than \$1,500 in additional taxes -- money this servicemember must have to support his family. Some servicemembers could have their taxable income nearly double.

Secretary Perry points out, "This additional tax burden is counterproductive as we struggle to maintain operational readiness and an acceptable quality of life for our dedicated men and women serving our country. It is vital that we protect that quality of life of servicemembers by correcting this inequitable financial burden."

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THE SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1000

1 APR 1994

Honorable Ronald V. Dellums
Chairman, Committee on Armed Services
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I request your much needed assistance in obtaining legislative relief from an effect of the Revenue Reconciliation Act of 1993. The Act changed the tax rules on moving expenses and reimbursements and allowances which will severely and disproportionately affect members of the Uniformed Services. We, therefore, will need authority to increase allowances to offset new tax burdens on members. Specifically, the Temporary Lodging Allowance, Temporary Lodging Expense, Dislocation Allowance, and Move-In Housing Allowance are the major allowances affected.

The impact from this new tax burden is significant. We have over 800,000 military moves a year. About 100,000 are to overseas locations. As you know, the allowances are designed to meet actual expenses incurred for permanent change of station moves. The temporary expenses while awaiting permanent housing may be particularly high in certain overseas areas. Making these allowances taxable, and withholding taxes, leaves the member insufficient funds to defray the temporary, extraordinary expenses. For example, a Service member and his family awaiting housing in Naples might receive up to \$11,000 in temporary lodging allowances. This would result in more than \$1,500 in additional taxes -- money this Service member must have to support his family. This additional tax burden is counterproductive as we struggle to maintain operational readiness and an acceptable quality of life for our dedicated men and women serving our country. The people most affected are the people who can least afford the impact -- the junior soldiers, sailors, airmen, and marines assigned overseas in defense of our nation.

I sincerely appreciate any assistance you can provide on this issue. I will be providing more details shortly on the magnitude of the problem.

Thank you for your assistance as we work towards resolving this issue.

Sincerely,

A handwritten signature in cursive script, reading "William J. Perry", is located below the word "Sincerely,".

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